

Labor economics through the eyes of three French economists

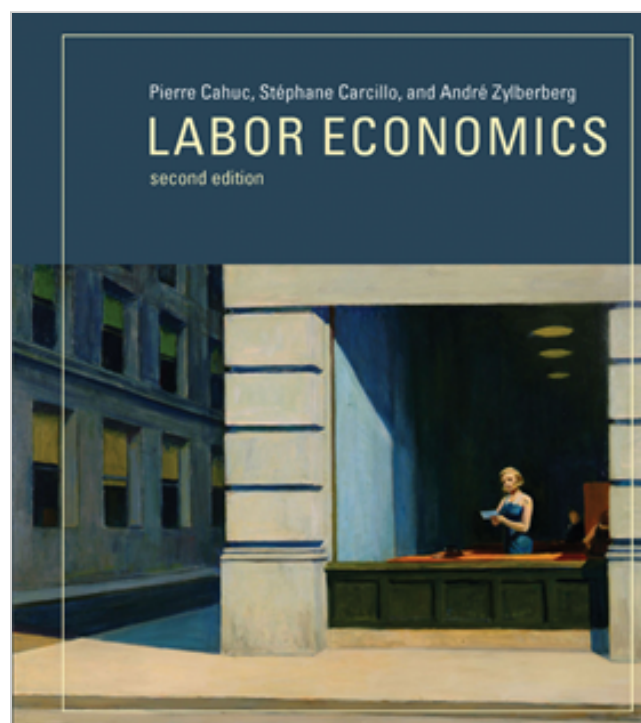
Labor Economics, second edition. By Pierre Cahuc, Stéphane Carcillo, and André Zylberberg. Translated by William McCuaig. Cambridge, MA: The MIT Press, 2014, 1043 pp., \$125.00/cloth.

Labor Economics is a textbook designed to give graduate students a comprehensive introduction to the subject, with empirical results that integrate with theory. The breadth of coverage is recent work in major areas of labor economics, including new empirical, theoretical, and methodological developments. Lessons are presented on a global level, using examples from various countries with proven empirical methods that have served as milestones for the area of study. This edition provides an analysis of public policy, with theories supported by models that have been simplified for the reader's benefit.

The authors are highly qualified experts in the field of labor economics. Pierre Cahuc is a professor of economics at France's École Polytechnique. He also serves as the director of the Macroeconomic Laboratory at the Center for Research in Economics and Statistics (that country's National Institute for Statistics and Economics Studies); is the program director at IZA (the Institute for the Study of Labor) in Bonn, Germany; and is a member of the Council of Economic Analysis of the Prime Minister of France.

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as a senior economist in the Directorate for Employment, Labor, and Social Affairs at the Organisation for Economic Co-operation and Development in Paris. He is also a research fellow in the Department of Economics at Sciences Po (Paris), as well as at IZA. André Zylberberg is the emeritus research director at the Centre National de la Recherche Scientifique of the French Ministry of Education and Research, and is a member of the Paris School of Economics.



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Public policy issues are highlighted throughout the text. The chapter on education and human capital points out that countries spend, on average, 6.3 percent of their gross domestic product on publicly financed education, with few exceptions. The average time one spends in school has increased over time, correlating with better performance in the labor market and less crime. Human capital theory predicts that higher education increases the likelihood of higher wages. However, “the ability to resolve differential equations or to understand all the subtleties of Keynesian macroeconomics,” note the authors, “does not necessarily increase the productivity of a person working in a firm or an agency” (p. 208).

According to the authors, generous unemployment benefits have been shown to decrease the time devoted to seeking employment. Using data from the Bureau of Labor Statistics American Time Use Survey to evaluate how employed and unemployed people spend their time, they found that unemployed people spend an average of 32 minutes per day seeking employment. They argue that unemployment benefits slow the rate at which those receiving benefits get job offers by eroding the efficiency and lessening the intensity with which they seek employment.

The authors also note the importance of collective bargaining in industrialized countries. Unionization rates depend on various factors, such as demographics, legislation, competition, and industry. The number of workers who are members of unions is generally lower than the number of workers who are covered by a union contract (12 percent in the United States). Membership is higher in construction, manufacturing, and the public sector. Studies show a positive correlation between collective bargaining and wages at the same time that dispersion is reduced.

With a clean, uncluttered layout and plenty of white space on each page, the text is organized into four parts:

1. “Labor supply and demand behaviors” (chapters 1–4) focuses on labor supply and demand, competitive equilibrium, compensating wage differentials, human capital, and education.
2. “Imperfectly competitive labor markets” (chapters 5–8) discusses job searches, contracts, risk sharing, incentives, collective bargaining and labor unions, and discrimination.
3. “Job creation, job destruction, and unemployment” (chapters 9–11) examines employment, unemployment, equilibrium unemployment, technological progress, globalization, and inequality.
4. “Public policies” (chapters 12–14) looks at income redistribution, insurance policies, and active labor market policies.

A unique feature of the book is that, after the summary and conclusion of each chapter, the authors provide a reference to other sections that are related to the chapter. This feature allows readers to continue focusing on a specific topic covered in the text. In addition, the book has a companion website (www.labor-economics.org) with reference material. On the site, each chapter occupies a section with bullet points stating what is covered and with graphics from the chapter. Visitors to the site may download the figures and main results of the chapter. Slides are available from the authors as well as from other users of the text.

The book offers a wealth of knowledge on various aspects of labor economics. Comparisons of theory and empirical evidence are presented in a precise manner. For those whose knowledge does not extend to advanced mathematical models, each chapter concludes with an appendix that provides everything one needs to know to comprehend the equations used. Cahuc, Carcillo, and Zylberberg’s second edition of *Labor Economics* is a

wonderful textbook with complete coverage and modern functionality for today's graduate students. It can also be a useful resource for labor economists in need of a refresher on the subject. I recommend it highly.